

Message Text

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INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L BRASILIA 1936

E.O. 11652: GDS

TAGS: ETRD, BR

SUBJ: SIMONSEN CRITICIZES US TRADE RESTRICTIONS

REF. 75 BRASILIA 10428

1. SUMMARY. IN RESPONSE TO A QUESTION DURING A SESSION WITH A GROUP OF INDUSTRIALISTS, FINANCE MINISTER SIMONSEN CRITICIZED US TRADE RESTRICTIONS AFFECTING BRAZILIAN EXPORTS, THREATENING THAT BRAZIL WOULD BE FORCED TO USE PROVISIONS OF ITS LAWS WHICH ALLOW IT TO PROHIBIT IMPORTS FROM COUNTRIES WHICH DISCRIMINATE AGAINST BRAZILIAN EXPORTS. IN A SUBSEQUENT MEETING WITH THE PRESS, SIMONSEN ATTEMPTED TO DOWNPLAY WHAT HE HAD SAID, NOTING THAT HE HAD BEEN SPECIFICALLY ASKED ABOUT THE EXISTENCE OF RETALIATORY MECHANISMS. END SUMMARY.

2. MAJOR NEWSPAPERS IN RIO, SAO PAULO AND BRASILIA PROMINENTLY FEATURED FINANCE MINISTER SIMONSEN'S MARCH 3 STATEMENT AT A MEETING OF THE FEDERATION OF INDUSTRIES OF RIO GRANDE DO SUL IN PORTO ALEGRE THAT BRAZIL COULD APPLY PROVISIONS IN BRAZILIAN LAW WHICH ENABLE THE GOB TO PROHIBIT IMPORTS OF CERTAIN PRODUCTS FROM COUNTRIES WHICH PROHIBIT, RESTRICT, OR ENCUMBER BRAZILIAN
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EXPORTS.

3. O ESTADO DE SAO PAULO REPORTED THAT DURING A PUBLIC MEETING WITH THE FEDERATION OF INDUSTRIES OF RIO GRANDE DO SUL, FINANCE MINISTER SIMONSEN, IN RESPONSE TO A QUESTION ABOUT THE 17 PERCENT COUNTERVAILING DUTY RECENTLY IMPOSED ON SCISSORS AND SHEARS, SAID, "THIS IS A FISHBONE IN MY

THROAT, JUST LIKE THE SHOE QUESTION." HE ADDED, "WE ARE NEGOTIATING TO HAVE THESE RESTRICTIONS SUPPLANTED, AND, IF NECESSARY, WE WILL APPLY PROVISIONS IN OUR LEGISLATION WHICH PERMIT US TO PROHIBIT THE IMPORTATION OF CERTAIN PRODUCTS FROM COUNTRIES WHICH DISCRIMINATE AGAINST BRAZILIAN EXPORTS."

4. JORNAL DO BRASIL QUOTED SIMONSEN SLIGHTLY DIFFERENTLY THAN O ESTADO DE SAO PAULO, AND INCLUDES A SIMONSEN REFERENCE TO DECREE-LAW 1428 AS THE LEGISLATION WHICH ENABLES THE GOB TO PROHIBIT IMPORTS FROM COUNTRIES WHICH DISCRIMINATE AGAINST BRAZILIAN PRODUCTS.

SIMONSEN PLAYED DOWN HIS REMARKS IN A SUBSEQUENT NEWSPAPER INTERVIEW SAYING HE HAD BEEN SPECIFICALLY ASKED ABOUT THE EXISTENCE OF THE DECREE-LAW.

5. COMMENT: THE DECREE-LAW, DATED DEC. 2, 1975, GRANTS TO A NUMBER OF DEVELOPMENT AGENCIES (SUDENE, SUDAMA, SUDEPE, ETC.) THE CAPACITY TO GRANT REDUCTIONS IN IMPORT DUTIES FOR CERTAIN ITEMS IMPORTED BY THESE AGENCIES FOR "UNDERTAKINGS IN THE NATIONAL INTEREST." THE DECREE-LAW ALSO STATES THAT THE MINISTRY OF FINANCE, AFTER CONSULTATION WITH THE MINISTRY OF FOREIGN AFFAIRS, "WILL SUSPEND (THE REDUCTION IN IMPORT DUTIES) FOR IMPORTS ORIGINATING IN COUNTRIES WHICH PROHIBIT, RESTRICT, OR HAMPER BRAZILIAN EXPORTS."

6. IN ADDITION TO DECREE-LAW 1428, CACEX IS ALSO AUTHORIZED (REFTEL) TO TURN DOWN, IN EXCEPTIONAL CASES, REQUESTS FOR IMPORT LICENSES WHERE THE IMPORT MAY CAUSE DAMAGE TO THE CONFIDENTIAL

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BRAZILIAN ECONOMY. THIS HAS BEEN INTERPRETED AS GIVING CACEX THE POWER TO STOP OR CURTAIL IMPORTS FROM COUNTRIES, SUCH AS THE US, WHICH HAVE LARGE TRADE SURPLUSES WITH BRAZIL. THE DECREE-LAW HAS BEEN REFERRED TO AS "BRAZIL'S TRADE ACT."

7. SIMONSEN'S REMARKS MUST BE INTERPRETED WITHIN THE EMOTIONALLY-CHARGED ATMOSPHERE SURROUNDING HIS MEETING WITH THE GAUCHO INDUSTRIALISTS. THE QUESTION ON THE SCISSORS AND SHEARS ISSUE CAME AFTER AT LEAST ONE PREVIOUS QUESTIONER HAD SEVERELY CRITICIZED GOVERNMENT (READ SIMONSEN'S) ECONOMIC POLICIES, MAINTAINING THAT THEY WERE BASED ON AN ERRONEOUS ANALYSIS OF THE CAUSES OF CURRENT ECONOMIC DIFFICULTIES. HENCE, SIMONSEN WAS PROBABLY TRYING TO PLACATE THE MANUFACTURERS OF SCISSORS AND SHEARS AND SHOES (WHICH ARE CONCENTRATED IN RIO GRANDE DO SUL) BY TAKING A TOUGH PUBLIC STAND.

8. CASUAL REFERENCE TO DECREE LAW 1428 WAS MADE

DURING THE OCTOBER 1975 MEETING OF THE US-BRAZIL SUB-
GROUP ON TRADE (BUT NOT DURING THE SEPTEMBER 1976
MEETING), AS A TOOL WHICH BRAZIL COULD USE TO DEFEND
ITS INTERESTS BUT WHICH WAS BEING HELD IN ABEYANCE UNTIL
BRAZIL NEEDED TO USE IT. END COMMENT.
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